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IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 1360

AMERICAN CYANAMID COMPANY, *Petitioner*,

v.

NOPCO CHEMICAL COMPANY, *Respondent*.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF

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1. Re Conflict of Decisions:

The point of the Petition for Certiorari is this:

Does the statement of this Court in *Schnell* v. *Peter Eckrich & Sons,* 365 U.S. 260, 262 (1961):

> "[28 U.S.C. § 1400(b) is] the sole and exclusive provision controlling venue in patent infringement actions."

mean what it says, literally, or is the *Fourco* decision [1] on which the statement is based authority only for its holding?

The uncertainty on this point in the lower Federal courts has led to the following situation:

a. The *holding,* namely, that the definition of "residence" of corporate defendants in 28 U.S.C. § 1391(c)

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[1] *Fourco Glass Co.* v. *Transmirra Corp.,* 353 U.S. 222 (1957).

is not applicable when venue is controlled by 28 U.S.C. § 1400(b), is *universally accepted.* But no question of applicability of § 1391(c) is here involved.

b. The *literal reach* of the statement has been *accepted* in the Seventh Circuit in *Coulter Electronics, Inc.* v. *A. B. Lars Ljungberg & Co.,* 376 F. 2d 743 (7 Cir. 1967) and, therefore, 28 U.S.C. § 1391(d) has been held inapplicable to aliens in patent infringement cases. This decision is thus (i) a reversal of the state of the law before the 1948 revision of Title 28 and therefore contrary to the rationale of that revision *and* to this Court's view of that rationale stated in *Fourco* at 353 U.S. 222, 225-228; (ii) in head-on conflict with the well-reasoned and deliberately-adopted views of two District Courts in different circuits, *Olin Mathieson Chemical Corp.* v. *Molins Organizations, Ltd.,* 261 F. Supp. 436 (E. D. Va. 1966) and *Chas. Pfizer & Co.* v. *Laboratori Pro-Ter Prodotti Therapeutici,* 278 F. Supp. 148 (S.D. N.Y. 1967). That is to say, District (now Circuit) Judge Butzner and District Judge Mansfield *reject* the *literal reach* of the statement.

But only the literal reach of the statement is here involved. As to that matter there is clear and present conflict and the last sentence (Petition Appendix, p. 23a) of the opinion of the Fourth Circuit here sought to be reviewed seems to Petitioner to be tantamount to an invitation by that Court to this Court to undertake such a review.

2. The Actual Posture of This Particular Controversy:

a. Petitioner's civil action in the Western District of Virginia from which this Petition stems is (i) the first case involving the subject matter filed against

Respondent; (ii) Respondent was duly served under Virginia's long-arm statute by substituted service on the Secretary of the Commonwealth at Richmond and Respondent has not contested the efficacy of that service; (iii) the other defendant is a Virginia corporation as to which venue and service is unchallenged and the action is "dormant" only because District Judge Michie, to whom the case was assigned, has become physically incapacitated and no successor has been appointed, so that his only active colleague is grossly overloaded.

b. The later-filed action brought by Respondent in New Jersey is (i) wholly redundant of the earlier Virginia action in that it presents no issue that is not, or could not be, raised in Virginia; (ii) the New Jersey court has refused expressly to interfere in any way with the progress of the Western District of Virginia case; (iii) the only issue that has been tried "on the merits" in New Jersey is a specially framed, limited question of infringement, based on an assumption for its limited purpose that the patent is valid and not to be determinative of all aspects even of the question of infringement. Even should the decision now reserved by the New Jersey judge be announced in Respondent's favor, it may not dispose of the infringement issue posed in Virginia by the derivative acts of Respondent's customer and co-defendant there.

3. Stonite[2], Fourco[1], Schnell[3], and Pure Oil[4] in Proper Perspective:

Stonite was decided in 1942, six years before the adoption of the 1948 positive enactment, as a codifica-

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[2] *Stonite Co.* v. *Melvin Lloyd Co.*, 315 U.S. 561 (1942).

[3] *Schnell* v. *Peter Eckrich & Sons, supra.*

[4] *Pure Oil Co.* v. *Suarez*, 384 U.S. 202 (1966).

tion and revision of the Judicial Code of 1911, of Title 28, U.S. Code. What it decided was that the multi-district States exception provided by § 52 of the 1911 Code to the stringency of the general Federal question venue limitation, § 51 of the 1911 Code, was not applicable to cases governed by the special patent venue, § 48 of the 1911 Code. In reaching this result, § 48 was wrongfully construed as a deliberate narrowing of patent venue when, in fact, it was the deliberate creation of a special venue substantially wider than that applicable to Federal question actions generally.

In *Fourco* it was held that in simultaneously enacting 28 U.S.C. § 1391(c) and 28 U.S.C. § 1400(b) Congress was also confirming the nonapplicability to patent infringement actions of exceptions to general venue stringency which this Court had announced in *Stonite*.

In *Schnell* a question of waiver of venue was presented, and in this case, it is respectfully submitted, this Court reiterated a sweeping dictum from *Fourco* which we have already shown cannot properly stand on its literal terms because of 28 U.S.C. § 1391(d).[5]

In *Pure Oil* the interrelationship of general and special Federal venue provisions was presented for decision, free and clear of *Stonite* and *Fourco* and *Schnell*, because it was a Jones Act case, not a patent

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[5] Counsel for Respondent apparently agree. See *Thomson Industries, Inc.* v. *Nippon Thomson Co., Ltd.*, — F. Supp. —, 156 U.S.P.Q. 626 (S.D. N.Y. 1967) where Respondent's counsel succeeded in holding a Japanese corporation in New York in a patent infringement action on venue laid under 28 U.S.C. § 1391(d). To avoid a logical dilemma, therefore, Respondent's counsel now conjure up a distinction about 28 U.S.C. § 1400(b), namely, that it was intended only for domestic defendants. Nothing specific in its language and nothing in the discussions of this Court about it support this distinction. The lower Federal courts are, as we have shown, in conflict on this point.

action. This Court then announced the common-sense rationale that subsequent general venue provisions *broadening* prior provisions would be applied to *enlarge* preexisting special venue provisions of intermediate scope, absent a special policy to the contrary. In so doing it overruled the reliance by the Fifth Circuit on *Fourco* on the grounds that the Congress had manifested a patent policy by enacting the 1897 special patent venue, namely, to confine patent actions to a *narrower* venue than general Federal question actions.

In so interpreting the 1897 act, we respectfully submit, this Court was repeating an error in the analysis and comparison of Federal venue enactments, patent and general, first made by it in *Stonite*.

4. "Except as Otherwise Provided by Law —":

A moment's reflection suffices to show that the language of exception in 28 U.S.C. § 1391(a) and (b), to wit, "except as otherwise provided by law", modifies "only". Thus, under 28 U.S.C. § 1391(b), as enacted in 1948 (Petition Appendix, p. 11a), a Federal question action generally could be commenced "only in the judicial district where all defendants reside", a very narrow provision. A departure from it was necessary to accommodate broadening provisions elsewhere in the law, for example, for patent, copyright, and anti-trust actions. The cited language of exception was therefore provided to prevent the "only" from narrowing the various broader special venue statutes. Had the "only" been omitted from 28 U.S.C. § 1391(b) in 1948, then "except as otherwise provided by law" would logically have had to be omitted as well, for there is no instance whatsoever of an action which cannot be brought in the district where all the defendants reside.

5. The Legislative History in 1897:

Congressman Mitchell, quoted on page 15 of Respondent's Brief, was quite right. The general venue act of 1888 (repeating in material part that of 1887, see Petition Appendix, p. 3a) was, as the Court below noted (Petition Appendix, p. 21a), an example of "unfortunate draftsmanship." In wrestling with its application to patent actions, the courts had, as the Congressman observed, come up with different constructions of that act.

One line of decisions rejected the limitation on patent venue altogether and permitted patent actions wherever the defendant could be found. Under this line of decisions, the 1897 act (28 U.S.C. § 1400(b) in substance, see Petition Appendix p. 9a) was a limitation. But under the other line of decisions, applying the 1888 act rigorously (28 U.S.C. § 1391(b) as in 1948 in substance), the 1897 act was distinctly an extension. This is especially so if individual, as opposed to corporate, defendants are considered. The general venue statute was limited to a single district, that of their residence; the patent venue reached to as many districts as might contain regular and established places of business of theirs and had a "long arm" provision, now 28 U.S.C. § 1694, permitting service on their agent conducting that business.

Truly, in 1897 Congress made the policy decision that patent litigation required a broader venue than general Federal question venue and there is no basis to engraft onto the clear language of 28 U.S.C. § 1391(b), as amended in 1966, any restriction removing patent actions from its general reach.

The rationale of *Pure Oil* should prevail over the historical error of *Stonite*. Respondent has no vested

interest in that error and only this Court can appropriately correct it. Confusion and useless contention over patent venue can be expected to flourish and multiply until this Court acts.

CONCLUSION

Respondent has failed to weaken the grounds upon which Petitioner rests this Petition and IT SHOULD BE GRANTED.

Respectfully submitted,

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